



# Program Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 27-Apr-2020 | Report No: PIDA29216



**BASIC INFORMATION**

**A. Basic Project Data**

|                   |   |  |                              |
|-------------------|---|--|------------------------------|
| Country           | Project ID  | Project Name   | Parent Project ID (if any)   |
| India             | P173943   | Accelerating India's COVID-19 Social Protection Response Program (PMGKY) (P173943) |                              |
| Region            | Estimated Board Date                                | Practice Area (Lead)   | Financing Instrument         |
| SOUTH ASIA        | 07-May-2020   | Social Protection & Jobs   | Development Policy Financing |
| Borrower(s)       | Implementing Agency                                 |  |                              |
| Republic of India | Department of Economic Affairs, Ministry of Finance |  |                              |

**Proposed Development Objective(s)**

The Program Development Objective of the proposed operation is to strengthen the capability of state and national governments in India to provide coordinated and adequate social protection to the poor and vulnerable from the impacts of the COVID-19 pandemic

**Financing (in US\$, Millions)**

**SUMMARY**

|                        |        |
|------------------------|--------|
| <b>Total Financing</b> | 750.00 |
|------------------------|--------|

**DETAILS**

|   |        |
|---|--------|
| <b>Total World Bank Group Financing</b> | 750.00 |
| World Bank Lending                      | 750.00 |

**Decision**

The review did authorize the team to appraise and negotiate



## **B. Introduction and Context**

### Country Context

Over the past decade, India has been one of the fastest growing emerging market economies, but growth has slowed in the past three years, and the COVID-19 outbreak is having a significant additional impact. The current slowdown is due to the combined effects of (i) unresolved domestic issues (impaired balance sheet issues in the banking and corporate sectors, compounded by stress in the non-banking segment of the financial sector), and (ii) significant additional headwinds following the COVID-19 outbreak. These have not only prevented a sustainable revival in private investment, but also affected private consumption in FY19/20. As a result, growth is expected to reach 5 percent in FY19/20. Given the nation-wide lockdown and major disruptions to economic activity in the first quarters of FY20/21, growth is expected to slow again significantly in the current fiscal year, before recovering gradually from FY21/22 onwards. On the fiscal side, the general government deficit is estimated to have widened to about 7.5 percent of GDP in FY19/20, owing to tax cuts and weak economic activity. It is expected to increase further still in FY20/21 as a result of slow domestic activity and fiscal support to households and firms. However, the current account balance is expected to improve over FY19/20-FY20/21, reflecting mostly a sizeable contraction in imports and a large decline in oil prices. Given this, in spite of recent portfolio capital outflows, India's foreign exchange reserves are expected to remain comfortable (equivalent to over 10 months of imports).

India's public health response to the COVID-19 pandemic comprises a strong focus on social distancing. This has resulted in one of the largest lockdowns in the world. The extraordinary public health measures taken by national and state governments in India to counter the spread of the COVID-19 pandemic – from social distancing, restricting economic activities, curtailing the movement of people and goods through a complete lockdown impacting 1.3 billion persons– are anticipated to trigger deep supply and demand shocks in the economy. Given the continent-like size and heterogeneity in India, these shocks will manifest differently at the sub-national, community and household levels, depending on local economies and socio-demographic profiles. The impacts in India will be particularly sharp given that the workforce is predominantly informal and there were concerns of an economic slowdown prior to COVID-19. Responses to the pandemic will require a comprehensive approach with solutions anchored by national and state governments, blending active participation from households, communities, civil society organizations and the private sector.

Social distancing measures to curtail the COVID-19 pandemic will have adverse impacts on poverty levels due to high rates of vulnerability and labor market informality in India. Since the 2000s, India has made remarkable progress in reducing absolute poverty. Between FY11/12 and 2015, poverty declined from 21.6 percent to an estimated 13.4 percent at the international poverty line (US\$1.90 per person per day in 2011 Purchasing Power Parity (PPP), continuing the earlier trend of rapid poverty reduction. Owing to economic growth, more than 90 million people escaped extreme poverty and improved their living standards during this period. However, poverty continues to remain widespread. In 2015, 176 million Indians were living in extreme poverty, while 659 million—half the population—were below the higher poverty line commonly used for lower middle-income countries (US\$3.20 per person per day in 2011PPP). Prior to the COVID-19 outbreak, there were concerns that the recent slowdown in economic growth would moderate the pace of poverty reduction in India.

Despite absolute poverty reduction in the past two decades, half of India's population remains vulnerable with consumption levels precariously close to the poverty line. These households are at grave risk of slipping back into poverty due to income and job losses triggered by COVID-19. Impacts of the global COVID-19 pandemic will also compound pre-existing concerns that the pace of poverty reduction had been disrupted by implementation challenges of indirect tax



reforms, stress in the rural economy and high youth urban unemployment rates. Social inequalities in poverty, well-being and access to jobs, particularly for women and tribal communities, are expected to amplify in how the evolving economic crisis impacts different social groups.

Labor market informality further constrains the ability of Indian households to cope and recover from livelihood shocks triggered by COVID-19 lockdowns. Majority of the Indian workforce is informal, without access to significant savings or workplace based social protection benefits such as paid sick leave or social insurance. The latest Indian Periodic Labor Force Survey (2017-18) finds that only 47% of urban workers have regular, salaried jobs. Even among workers in formal employment, over 70% do not have contracts, 54% are not entitled to paid sick leave and 49% do not have any form of social security benefits. These workers are at risk of falling into poverty due to wage and livelihood losses triggered by shrinking economic activity, government-imposed closures and social distancing protocols.

In India, inter-state migrants are at acute risk of increased poverty and destitution. Seasonal migrants dominate low-paying, hazardous and informal market jobs in key sectors in urban areas, such as construction. Estimates from the Economic Survey highlight that the magnitude of inter-state labor migration in India was close to 9 million annually between 2011 and 2016. Low income states such as Uttar Pradesh and Bihar are the biggest source states for migrants. Following the loss of employment due to COVID-19 lockdowns, such migrant workers are at increased risk of falling into poverty. Lack of portability in social protection benefits across state boundaries exacerbates the risks faced by migrants. With unemployment increasing, and decline in earnings and remittances, inter-state migrant workers will need targeted social protection support.

The proposed operation aims to support India's response and recovery from the devastating economic impacts of the Coronavirus Disease 2019 (COVID-19) pandemic, with emphasis on accelerating social assistance through adequate safety nets for the poor and vulnerable. The operation is the first Development Policy Operation in a planned programmatic series of two operations (for Fiscal Years 2020 and 2021, with an allocation of US\$750 million and US\$250 million respectively). The proposed operation is consistent with the India Country Partnership Framework and the World Bank's approach towards phasing COVID-19 response and recovery measures.

As India prepares its macro-fiscal stimulus to stabilize the economy, social protection is a critical bridge which can help carry vulnerable households through the current and future crises. As economic impacts of the COVID-19 pandemic sharpen, timely and adequate social protection measures for the poor and vulnerable can help cushion shocks and prevent further destitution. In the short and medium term, poor and vulnerable households will need protective instruments which can provide ex-post relief through immediate cash or in-kind assistance.

In response to the urgent social protection needs resulting from the COVID-19 pandemic, the Indian government has scaled up social assistance under the Pradhan Mantri Garib Kalyan Yojana<sup>1</sup>, which provides a package of cash and in-kind social assistance to protect poor and vulnerable households. These measures are expected to cost the Government 1,70,000 crore INR (approximately USD 23 billion), demonstrating the Government's strong commitment to assure that the poor and displaced are protected during this massive economic turmoil. In-kind benefits for food will be delivered to all poor and vulnerable households identified by the Public Distribution System (PDS) using pre-existing channels of Fair Price Shops across the country, maintaining social distancing norms. Cash transfers shall be made directly into the bank accounts of beneficiaries identified by five<sup>2</sup> of the country's largest cash-transfer programs from the treasury, thereby

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<sup>1</sup> In 2016, GOI had launched the Pradhan Mantri Garib Kalyan Yojna (PMGKY) which was a tax amnesty scheme which was valid between 2016-2017. COVID-19 PMGKY is a relief package to deal mitigate economic distress faced by vulnerable and poor people.

<sup>2</sup> MGNREGS, PDS, PM-Kissan, PMJDY and Ujjwala



ensuring timely payments to those in need. The identification of beneficiaries relies on India's near-universal programs, supplemented by the Aadhaar digital ID network.

Even prior to COVID-19, India needed to pivot its social protection system to address the needs of a more urban, mobile and diverse population. The onset of the pandemic has escalated the urgency of this reform agenda. Most social protection schemes operating in modern India are designed for a rural, agrarian and chronically poor country. That India now only exists in pockets – the majority of the country has seen booming tele-digital and transport connectivity, sharp declines in income poverty and new neglected sources of risks related to climate, urbanization and migration. State capability and the delivery landscape are deeply different across regions. With economic growth, states have also diverged in their social protection needs and risk-profiles. India's response to COVID-19 and future resilience depends on how its social protection system responds this heterogeneity.

The COVID-19 pandemic is highlighting the structural deficiencies in India's social protection system, which is fragmented and functions largely through scheme-based silos. Historically, India has provided social protection through a large and complex set of centrally sponsored schemes. These schemes are financed by the Centre and implemented by state governments. They include large-scale community-driven livelihoods programs (National Urban and Rural Livelihoods Mission), Panchayati Raj institutions, self-help group initiatives, financial inclusion programs, safety nets, subsidies, public works, social pensions, quasi-income support and social insurance schemes. In addition, digital innovations for cash delivery and beneficiary identification also function as independent schemes under the purview of discrete line ministries. Ideally, these schemes can serve as building blocks of an integrated system where the whole is greater than the sum of its parts. For example, self-help groups can help last-mile delivery of social assistance in concert with technology innovations. However, at present, there is no overarching institutional framework for coordinating these multiple scheme-based mechanisms. Faced with the COVID-19 crisis, the Government of India's PMGKY has helped build an implementation framework whereby multiple schemes work together through leadership anchored at the Ministry of Home Affairs. Such an approach can transform social protection in India from scheme-based silos towards an integrated system.

#### Relationship to CPF

**The India CPF was approved in 2018 and is being adjusted to respond to the COVID-19 crisis.** The World Bank in consultations with the Indian Government has developed a three stage COVID response strategy. The first stage has been supporting the health system to help fight the pandemic and a billion-dollar program was approved by the World Bank to support the health response. The health response has required the Government to effectively shut down large sections of the economy to slow the spread of the epidemic. This slowdown has displaced hundreds of millions of workers. Migrant labor and the poor who have little or no capacity to weather loss in earnings- are severely impacted. The second stage of the World Bank response will help provide social protection to those displaced by the economic shut down, with emphasis on the poor and vulnerable, through the proposed two DPO series amounting to a billion dollars. The third phase of the World Bank COVID-19 response will to support economic revival through another billion-dollar program to support Micro-small and Medium Enterprises (MSME) and possibly support the financial system on which MSME depends.

#### **C. Proposed Development Objective(s)**

The proposed operation aims to strengthen the capability of state and national governments in India to provide coordinated and adequate social protection to the poor and vulnerable from the shocks triggered by the COVID-19 pandemic.



#### D. Project Description

The reform package supported by this DPO is designed to improve efficiency of delivery of benefits and to address emerging challenges such as lack of geographic portability of benefits, and specific needs to support migrant workers. By supporting this critical government priority, the proposed operation reinforces the Gol's focus on social protection and strengthens the prospects of results being achieved successfully. Beyond emergency support to households to tackle impacts of lockdowns, the program will help link the social protection response to COVID-19 with the country's broader social protection and resilience agenda.

The program will accelerate the delivery of social assistance announced under the PMGKY package at the state and national level through three pillars:

(i) Accelerating the provision of adequate disaster responsive social protection for the poor and vulnerable by scaling up cash/in-kind assistance made available through a core set of pre-existing national platforms and programs (ii) Providing robust social protection for essential workers involved in COVID-19 relief efforts and (iii) Ensuring vulnerable groups have access to PMGKY benefits through reform measures aimed at expanding points of last-mile delivery. The third pillar is critical to ensure that migrants and informal workers who face high risks of exclusion are able to avail social protection at this time of crisis.

The proposed program not only enhances coordination across schemes and ministries to build a disaster-responsive social protection system, the reforms is supports also expand the ability of India's safety nets architecture to cater to a diversity of needs across states and vulnerable groups. Migrants and the urban poor have been at great risk during the COVID-19 crisis as social assistance programs in India largely target rural populations without portability across state boundaries.

Despite fiscal stress, state governments have proactively expanded support for the poor during the COVID-19 crisis. The proposed reforms will allow states to access flexible funding and support to design and implement appropriate social protection responses to COVID-19 and future disasters. Given that larger shares of COVID-19 cases in India are currently in urban and peri-urban areas, geographically targeted support in these hot-spot districts will help deepen social protection coverage in urban areas. As Table 1 demonstrates, the proposed programmatic series links immediate responses to tackle COVID-19 with broader social protection reform in India.

**Table 1: Sequencing of COVID-19 Social Protection Interventions and Reforms**

**Emergency COVID-19 Reforms (April-July 2020)**

Scaling-up a core set of pre-existing food/cash programs announced through PMGKY for immediate COVID-19 relief

By notifying COVID-19 pandemic as a 'disaster', the national government enables state governments to access funds from the State Disaster Response Funds (SDRF) to implement and deliver COVID-19 relief

Provide access to portable food and in-kind benefits to migrant workers through state machinery and State Disaster Response Funds

**Medium Term SP Reforms (July-Nov 2020)**

PMGKY will trigger a fundamental shift in the social protection system from scheme-based silos towards a more coordinated approach

Creation of an adaptive and disaster responsive social protection system in India to provide support to any excluded groups and provide income-support in hot-spot clusters/districts where lockdowns will be prolonged.

Codified policy framework defining how the national government and states finance and coordinate a basic package of benefits (food and social insurance) for migrants across state



boundaries.

Door-step delivery of information/cash/in-kind relief by states leveraging post offices, fair price shops and community-based machinery

Build state level government capacities to implement digitized payments which can leverage community-based organizations and front-line workers to improve last-mile delivery of cash in areas with weak financial access.

Quasi-income support measures through welfare funds to provide informal workers COVID-19 relief

Rebalancing the mix of cash and social insurance scheme support provided to citizens by (i) Campaign to expand coverage to informal workers by leveraging linkages between Aadhaar, PDS and PMJDY (ii) Triggering a strong co-contributory urban safety nets platform.

### E. Implementation

The DPO will be implemented through Ministry of Finance, Government of India and will leverage existing Union and State government systems. A package of technical assistance will accompany it to help with just-in-time support when needed. There are over 465 Centrally Sponsored Schemes which provide either cash or in-kind benefits. While the policies and guidelines of centrally sponsored schemes are developed by the Union government, actual implementation (targeting, identification, etc.) is the responsibility of the State governments and Union Territories. There is adequate capacity at the Union government to guide and oversee Program implementation. The Public Financial Management System (PFMS) developed by the GOI is a fund tracking and expenditure filing system that can provide real time status of fund utilization and available funds. However, at the State level, the capacity to implement effectively varies, as there are capacity constraints which includes limitations of banking and financial service providers. Further, the nature of reforms will require a shift in organizational culture - notably in terms of increased use of analytics and delegation of decision-making – and coordination across Central Ministries, State Governments, Reserve Bank of India and Banking & Financial service providers. The Program will support these transitions through Technical Assistance which will provide support for 1) design, 2) implementation and 3) monitoring and evaluation to the Union and State governments.

### F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

#### Poverty and Social Impacts

This is a multi-pronged emergency relief DPO that requires multiple Central and state government agencies to work in consonance for outcomes that have immediate positive poverty and social impacts and help prevent further social and economic distress. Increase in direct benefits to MGNREGS beneficiaries will enable them meet increased expenses on food and other essential items, the prices of which have increased on account of COVID-19. Given that the average usage of LPG cylinders in India is 6.7 cylinders per family per annum and that the price of LPG cylinders have risen in the past year, the provision of free LPG cylinders for three months to beneficiaries under Pradhan Mantri Ujjwala Yojana (PMUY) will have multiple related positive social impacts – (a) increase in household savings that can be used to meet potential increase in household expenditures on food, healthcare and other essential expenses, (b) continued usage of clean cooking fuel will address potential increase in acute respiratory illnesses (a major factor increasing the chances of comorbidity for COVID-19) that may arise on account of PMUY households going back to using firewood for cooking. Similarly, additional allowances to widows, the elderly, and disabled persons through National Social Assistance Program



(NSAP); direct transfers to women account holders under Pradhan Mantri Jan Dhan Yojna (PMJDY); and advanced payments to farmers through Pradhan Mantri Kissan Samman Nidhi (PM-KISAN), supported through targeted communication on COVID-19 prevention, will help target beneficiaries spend on measures to prevent possible COVID-19 infection in their communities while providing much needed liquidity to meet rising prices of essential commodities. Provision of free food rations for three months to more than 800 million beneficiaries under the PMGKAY, many of whom have suffered job losses on account of the lockdown forced upon the country by COVID-19, will help meet their and their families' food security needs and prevent potential food riots across the country.

For registered workers (approximately 48 million) in the formal sector affected by the COVID-19 crisis, the provision of a non-refundable advance of 75% from their Employee Provident Fund (EPF) accounts or three months of salary (whichever is lower) will help meet a portion of their committed monthly expenses and provide much needed financial and psychological security. Similarly, low wage-earning workers in small and medium enterprises affected by the COVID-19 crisis will benefit from the injection of 24% of their monthly wages by the government in their respective Provident Fund (PF) accounts through PMGKY.

The Government's special insurance scheme for health workers providing essential care and treatment to COVID-19 patients – namely: doctors, nurses, paramedical personnel, technicians, ward boys, safai karamcharis, ASHA workers – is not just a recognition of the high risks that the frontline workers in the country's battle against COVID-19, but also provides financial security to the families of these workers, should they succumb whilst performing their duties.

#### Environmental, Forests, and Other Natural Resource Aspects

This program will not have any negative impact on the environment, forests and natural resources. Provision of LPG will reduce improve community and environmental health through access to a clean fuel. It will reduce use of firewood and this the possibility of deforestation.

#### **G. Risks and Mitigation**

The macro risks depend on the length of the shutdown and this DPO will help mitigate the consequences of that risk on the poorer segments of the community. The institutional risks will be managed by the accompanying program of technical assistance through the World Bank and also by the Asian Development Bank.

#### **CONTACT POINT**

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**APPROVAL**

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|----------------------|---------------------------------------|
| Task Team Leader(s): | Qaiser M. Khan, Shrayana Bhattacharya |
|----------------------|---------------------------------------|

**Approved By**

|                   |                    |             |
|-------------------|--------------------|-------------|
| Country Director: | Junaid Kamal Ahmad | 16-Apr-2020 |
|-------------------|--------------------|-------------|